



November 10, 2015

Chairman Anthony Forlini and  
Members of the House Financial Services Committee  
788-S Anderson House Office Building  
Michigan House of Representatives  
Lansing, MI 48909

Dear Chairman Forlini:

On behalf of the Michigan Bankers Association (MBA) and the Community Bankers of Michigan (CBM), we write today to express our opposition to House Bills 5017 – 5022 – the *Michigan Credit Union Act Modernization* package. While we appreciate the continued discussions that you have been willing to have with us, there remain a number of outstanding issues that prevent our associations from supporting your efforts at this time

Our concerns continue to revolve around those sections of the bills that we shared with you last week: granting credit union service organizations (CUSO) the ability to provide trust services, and expanding the field of membership to businesses based outside of the geographical footprint of a credit union.

Let us stress again the importance for a CUSO to, at the very least, work with a Michigan trust bank to provide trust services. The Michigan Legislature wisely enacted sections 4401 – 4405 in the Banking Code of 1999 (PA 276 of 1999). The provisions in those sections provide commonsense protections of consumers of trust services, including:

- The requirement that there is a segregation of all assets held in a fiduciary capacity from the general assets of a bank/financial institution (MCL 487.14403(1))
- The requirement that a bank shall invest any money or property held by the bank as fiduciary and available for investment at the time in a manner specified in a written trust agreement, instrument, or order defining a trust. (MCL 487.14405)
- The prohibition on a bank from investing any money or property held by a bank as fiduciary from acting contrary to a written trust agreement unless permitted by law, court order, or an amendment to the trust agreement. (MCL 487.14405)

Both the introduced language of the bills, as well as the H-1 substitute, continue to use the term “trust services” which is unlimited at best and vague at worst. We urge you to amend the bills to be certain that the trust services granted to a credit union are consistent with existing statutes governing trust services in Michigan.

We also remain opposed to the language in the bills that expands the field of membership of a credit union. Two weeks ago we heard the Michigan Credit Union League (MCUL) describe the future of credit unions existence in the digital world. They asked to have an all-electronic credit union, one where all business is transacted exclusively over the Web. Essentially, this will allow a business that is not located in the geographic footprint of a credit union the ability to be a member *anywhere*. What is the purpose of even having a “common bond” based on geographic location? A common bond among credit union members doesn’t exist anymore under the language of these bills.

These items, that we have greatest opposition to, have nothing to do with the easing of the credit unions regulatory burden in the current market. They are, however, an enormous overreach that expands their business model and their excessive profits to the detriment of community banks throughout Michigan.

Based on these reasons, we cannot support the bills at this time. We urge you to continue to work on the bills prior to reporting them to the full House. We stand ready to assist with that effort.

Sincerely,



T. Rann Paynter  
Michigan Bankers Association  
President & CEO



Judi Sullivan  
Community Bankers of Michigan  
President & CEO